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**Macroeconomic policy questions: external debt crisis and development**

**Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Abdellah Benmellouk (Morocco), on the basis of informal consultations held on draft resolution A/C.2/57/L.6**

# Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

*The General Assembly,*

*Recalling* its resolutions 51/164 of 16 December 1996, 52/185 of 18 December 1997, 53/175 of 15 December 1998, 54/202 of 22 December 1999, 55/184 of 20 December 2000 and 56/184 of 21 December 2001 on enhancing international cooperation towards a durable solution to the external debt problems of developing countries,

*Taking note* of the report of the Secretary-General on external debt crisis and development,[1]

*Recalling* the United Nations Millennium Declaration adopted by the Heads of State and Government on 8 September 2000,[2]

*Reaffirming* the Monterrey Consensus,[3] which recognizes sustainable debt financing as an important element for mobilizing resources for public and private investment,

*Noting with great concern* the continuing debt and debt-servicing problems of the heavily indebted poor developing countries as constituting an element that adversely affects their sustainable development efforts, and noting in this regard that

[1] A/57/253.
[2] Resolution 55/2, annex.
[3] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

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the total debt stock of the developing countries rose from $1,458 billion in 1990 to $2,442 billion in 2001,[4]

*Noting with concern* that some highly indebted, middle-income developing countries are facing serious difficulties in meeting their external debt-servicing obligations,

*Welcoming* the progress made on the heavily indebted poor countries initiative designed to provide deeper, broader and faster relief, while recognizing that significant challenges remain to ensure that countries achieve a lasting exit from unsustainable debt,

*Welcoming also* the actions taken by creditor countries within the framework of the Paris Club and by some creditor countries through the cancellation of bilateral debts, and urging all creditor countries to participate in efforts to remedy the external debt and debt-servicing problems of developing countries,

1. *Reaffirms* the determination, as expressed in the United Nations Millennium Declaration,[2] to deal comprehensively and effectively with the debt problems of low- and middle-income developing countries, through various national and international measures designed to make their debt sustainable in the long term;

2. *Recognizes* that creditors and debtors must share the responsibility for preventing and resolving unsustainable debt situations and that debt relief can play a key role in liberating resources that should be directed towards activities consistent with attaining sustainable growth and development, including poverty reduction and the achievement of the development goals contained in the Millennium Declaration, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards these objectives;

3. *Stresses* that sustainable debt financing is an important element for mobilizing resources for public and private investment, and that national comprehensive strategies to monitor and manage the external liabilities embedded in the domestic preconditions for debt sustainability, including sound macroeconomic policies and public resource management, are a key element in reducing national vulnerabilities;

4. *Reiterates* the call for industrialized countries, as expressed in the Millennium Declaration, to implement the enhanced programme of debt relief for the heavily indebted poor countries without further delay and to agree to cancel all official bilateral debts of those countries in return for their making demonstrable commitments to poverty reduction, including through poverty reduction strategy papers, where appropriate, and in this regard welcomes the decision of those countries that have already done so, underlining that debt relief complementary to the framework be treated as additional;

5. *Calls upon* the heavily indebted poor countries to take, as soon as possible, the policy measures necessary to become eligible for the enhanced heavily indebted poor countries initiative and to reach the decision point;

6. *Stresses* the need to pursue, where appropriate, debt relief measures vigorously and expeditiously, by all creditors, including within the Paris and London

[4] See A/57/253, table.

Clubs and other relevant forums, in order to contribute to debt sustainability and facilitate sustainable development;

7. *Welcomes* initiatives that have been undertaken to reduce outstanding indebtedness;

8. *Calls upon* the international community, including the United Nations system, and invites the Bretton Woods institutions as well as the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problem of developing countries, and in this regard stresses the need to:

(a) Implement speedily, effectively and fully the enhanced heavily indebted poor countries initiative, which should be fully financed through additional resources, while stressing the need for fair, equitable and transparent burden-sharing among the international public creditor community and other donor countries, taking into consideration, as appropriate, measures to address any fundamental changes in the economic circumstances of those developing countries with unsustainable debt burden caused by natural catastrophes, severe terms-of-trade shocks or affected by conflict, taking into account initiatives that have been undertaken to reduce outstanding indebtedness;

(b) Bring about a sustained commitment by the heavily indebted poor countries to improvements in domestic policies and economic management, support capacity-building for the management of financial asset and liabilities, ensure full participation and delivery of relief by all affected creditors, ensure adequate and sufficiently concessional financing by international financing institutions and the donor community, and consider an early review of the difficult issues of debt relief and creditor litigation among heavily indebted poor countries;

(c) Bring international debtors and creditors together in relevant international forums to restructure unsustainable debt in a timely and efficient manner, taking into account the need to involve the private sector in the resolution of crises due to indebtedness, where appropriate;

(d) Acknowledge the problems of the debt sustainability of some non-HIPC low-income countries, in particular those facing exceptional circumstances;

(e) Reduce unsustainable debt burden of developing countries through such actions as debt relief and, as appropriate, debt cancellation and other innovative mechanisms geared to comprehensively address the debt problems of developing countries, in particular the poorest and most heavily indebted ones;

(f) Encourage exploring innovative mechanisms to comprehensively address the debt problems of developing countries, including middle-income countries and countries with economies in transition. Such mechanisms may include debt-for-sustainable-development swaps or multi-creditor debt swap arrangements, as appropriate;

(g) Establish effective debt-tracking mechanisms in developing countries and strengthen technical assistance for external debt management and debt tracking, including through enhanced cooperation/coordination between organizations providing assistance in this regard;

(h) Take steps to ensure that resources provided for debt relief do not detract from official development assistance resources intended to be available for developing countries and that the debt relief arrangements seek to avoid imposing any unfair burden on other developing countries;

(i) Welcome consideration by all relevant stakeholders of an international debt-work-out mechanism, in the appropriate forums, the adoption of which should not preclude emergency financing in times of crisis, to promote fair burden-sharing and minimize moral hazard, which will engage debtors and creditors to come together to restructure unsustainable debts in a timely and efficient manner;

(j) Establish a set of clear principles for the management and resolution of financial crisis that provide for fair burden-sharing between public and private sectors and between debtors, creditors and investors, while recognizing that a flexible mix of instruments is needed to respond appropriately to countries' different economic circumstances and capacities;

9. *Stresses* the importance of continued flexibility with regard to the eligibility criteria for the enhanced heavily indebted poor countries initiative, in particular for countries in post-conflict situations, and the need to keep the computational procedures and assumptions underlying debt sustainability analysis under review;

10. *Emphasizes* the need to help bring about initial recovery in heavily indebted poor post-conflict countries, in coordination with the international financial institutions, to help clear, as appropriate, these countries' arrears vis-à-vis international financial institutions;

11. *Reaffirms* that reviews of debt sustainability should also bear in mind the impact of debt relief on progress towards the achievement of the development goals contained in the Millennium Declaration and the fact that debt sustainability analysis at the completion point needs to take into account any worsening global growth prospects and declining terms of trade;

12. *Notes* that it is important for the International Monetary Fund and the World Bank to continue their efforts to strengthen the transparency and integrity of debt sustainability analysis and to consider any fundamental changes in countries' debt sustainability caused by natural catastrophes, severe terms-of-trade shocks or conflict when making policy recommendations, including for debt relief, as appropriate;

13. *Stresses* the need to strengthen the institutional capacity of developing countries in debt management, calls upon the international community to support the efforts made towards this end, and in this regard, stresses the importance of such initiatives as the Debt Management and Financial Analysis System,[5] the

[5] The Debt Management and Financial Analysis System is a computerized system developed by the United Nations Conference on Trade and Development to assist developing countries and countries with economies in transition in developing appropriate administrative, institutional and legal structures for effective foreign and domestic public debt management; by December 2002, the system had been installed in the debt offices of 60 countries in Africa, Asia, Europe, and Latin America and the Caribbean.

International Monetary Fund and World Bank guidelines for public debt management,[6] and the debt-management capacity-building programme;

14. *Requests* the Secretary-General to submit a report to the General Assembly at its fifty-eighth session on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt and debt-servicing problems of developing countries, including, inter alia, those resulting from global financial instability;

15. *Decides* to include in the provisional agenda of its fifty-eighth session under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt crisis and development".

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[6] See: http://www.imf.org/external/np/sec/nb/2002/nb02116.htm.